

## **HIGHWAYS**

Similarly, I hope you will maintain a \$104 million commitment to highway construction or adopt something similar to the Transportation Committee proposal. Surface transportation of people and products is essential to our economy. Without adequate roads, our people and our economy will suffer, particularly in this time of rapid growth.

## **LOCAL GOVERNMENT/IMPACT ASSISTANCE**

Ronald Reagan, before he was president, spoke for many of us when he said, "I still believe that the government is best which remains closest to the people, but almost daily the Goliath that is the federal government moves to gather more power unto itself." We are not yet as bad as Washington DC, but I fear that, through the power of the purse, we are adopting an increasingly federal posture toward our elected friends in city and county governments.

As to the power of the purse, it remains my view that the limitations on local revenue sharing, or the caps as they are popularly named, have outlived their usefulness. While the caps may have been appropriate in 2001, we need to remember the CREG estimate for natural gas was as low as \$3 per MCF, for oil it was \$18-\$20 per barrel, and coal was \$5.07 per ton.

But I'm a realist. I recognize there is strong opposition to removing or significantly modifying the caps. Mindful of this policy position, I ask you to join with me in directly funding the more critical functions of local government. Regardless of one's position on the caps, cities and counties are facing major problems that are not going away. Clogged sewers, insufficient water pressure, barking dogs, potholes, fire emergencies, crime and jails, and the like are local responsibilities. The tax dollars, which actually belong to the taxpayers, should be directed to the local governments that most directly serve those taxpayers. Rather than reducing my recommendations, you should be adding to them.

Assistance for areas impacted by oil and gas development is a generally recognized need. The expertise of the Local Government Coordinating Council crafted the \$100 million proposal to address this issue. This delicately balanced proposal enjoys the support of the Wyoming Association of Municipalities and the Wyoming Association of County Commissioners.

This recommendation reflects three principles. First, it gives substance to Gov. Hathaway's 1973 statement that "... the state has an obligation to assist these impact communities..." Second, it respects the role of local decision makers by providing a predictable flow of funds for two years, rather than leaving local decisions to the whim of state government. Third, it makes more funds available to areas not impacted by energy development by preventing those impact-designated areas from competing for the traditional State Loan and Investment Board Federal Mineral Royalty grants. These principles make sense and should be part of the aid package adopted this year.

No one has claimed perfection in the current proposal. It may be appropriate to include additional counties in the impact designation or to create a program for cities and counties with perennial revenue shortfalls or to increase the direct distribution to all levels of local government. But I remind you, each of these expansions should be accompanied by added revenue allocation.

## **MILITARY SUPPORT**

Last month it was my honor to be included in a delegation to visit our troops overseas. I am glad to report that the Wyoming-connected soldiers I met should be a source of great pride for all of us in this chamber and all of Wyoming. They miss their families and Wyoming. But morale is generally high, and they are well trained and equipped. Courage is the order of the day, as reflected in the set of their jaw and their steady gaze.

At every opportunity, I reminded them of the love and support of the Wyoming people. I even bragged on the Wyoming Legislature as one of the few in the country that had committed to a permanent fund to support the family members of deployed military personnel.

I also learned the true meaning of irony during my travels. As I was bragging on Wyoming and its Legislature, I received an e-mail in Baghdad advising me the request for an additional \$6 million to complete the funding of our permanent account to support military families had been denied. I ask you to restore this funding so that our commitment may be honored.

## **PERMANENT MINERAL TRUST FUND**

I recognize our action, taken last session, to increase from 24 percent to 40 percent the amount of severance tax saved in the Permanent Mineral Trust Fund. Nearly \$650 million will flow to the Permanent Mineral Trust Fund this biennium; \$259 million is the direct result of the statutory increase implemented last session. Saving 40 cents of every severance tax dollar allows us to reach and perhaps exceed the proposed goal of \$4 billion by 2010. Forty percent is a truly remarkable savings rate.

## **SCHOOL FACILITIES**

On the school facilities construction side, it is appropriate to move, as the district court suggests, toward state funding of the roads and utilities associated with school construction. It appears the state will pay these costs one way or another, through the State Loan and Investment Board, state revenue sharing with local government, or the School Facilities Commission.

But this should be done in a business-like manner and that is best done through the School Facilities Commission. The School Facilities Commission can develop rigorous, conservative standards and assure cost-effective expenditures. Further, if other properties or facilities, which are not part of the school building, benefit from the road or utilities, the benefits to those properties should be recaptured by the state as they are developed. As the School Facilities Commission adopts guidelines and standards for roads and utilities, it should also review the existing standards for any bias toward new construction as opposed to building renovation.

I would also commend for your favorable consideration legislation that will be offered to improve the ability of the Community Facilities Program to respond to the larger community interests in school construction and the utilization of older school buildings.

## **STATE EMPLOYEES**

For a moment, let us speak of the people who are our employees. I am referring to the state employees who are employed by both the legislative and executive branches. Over the years, we have made progress in addressing health insurance and external cost adjustments for state workers. There has been continuing discussion about moving employees to comparable market wages and some progress has been made. However, we have made greater progress in this area for K-12 and higher education employees and for your personal employees in the Legislative Service Office than we have for most state workers.

I understand you adjusted the salaries for the Legislative Service Office employees in December, and we should receive today the final adjustments for K-12 employees. It is my expectation to forward to you comparable suggestions for state employees before you begin deliberations on the budget bills. I hope you share my view that state workers should be treated on a par with those employees working for the Legislative Service Office, higher education and the K-12 system.

Last year, as a result of the multi-year discussions about retiree health insurance, you funded an actuarial study of the options. Based upon your study, I recommended a modest funding proposal to help our retired employees keep their private health insurance. I would rather see private insurance providing support for healthcare expenses than to see people added to the state assistance roles. This is a sound economic principle. I hope you will support this proposal or fashion your own based upon the study you funded last year.

## TAX RELIEF

On the question of tax relief, allow me to quote from Gov. Hathaway's 1974 message to the Legislature.

*Now let me say that I feel just as strongly (as he felt about the constitutional amendment creating the permanent mineral trust fund) that any increase in mineral taxes should not all go to the permanent funds. I think part of it should go to the general fund to provide some tax relief for all people of Wyoming and to provide for the operating budgets of this state that are sure to increase.*

Several tax-relief proposals have been offered. My preference is to remove the sales tax on utility bills, for I fear the \$35 million in general and federal funds allocated by this budget to weatherization and low-income energy assistance is inadequate to dull the cold knife of high energy costs. None of the proposals have gained broad-based legislative support. However, there is one tax-relief obligation created by the Legislature in 1995 which we could fulfill without new legislation.

In 1995, the Legislature extended and made permanent the fourth cent sales tax. A little noted, and apparently not long remembered, provision of the extension provides that, at the time when financial solvency returns, the sales tax would be reduced by one-half of one percent, thus reducing the statewide sales tax to three and one-half percent. This action does not require two-thirds vote for introduction or separate legislation. The budget bill alone can trigger the reduction in taxes by allowing \$35 million to remain in the general fund as required by Wyoming Statutes 39-15-104(d).

The 1995 governor's message clearly articulates that the extension of the fourth penny sales tax was to be limited. One-half of one percent was to be removed when revenues increased. The estimated cost of this action is about \$73 million a year, including the appropriation to keep the local government funding in place. This means a twelve and a half percent reduction in the state sales tax and \$73 million more dollars in the taxpayers' pocket. We certainly are not in a position to tell the public that no tax relief is appropriate in view of the statutory language and current financial conditions.